

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT FUND
DECEMBER 13, 2018**

1. CALL TO ORDER, ROLL CALL

Chair Weber called the meeting to order at 9:35 a.m.

Board Members present: Chair Paul Weber, Secretary Raymond Jones, and Trustees Barry Feldman, James Hoesley, and Jeffrey Rasor. Also present: Board Attorney Janice Rustin (Lewis, Longman & Walker as designated by City Attorney), Investment Consultant Jon Breth (AndCo), and Pension Administrator Nancy Graham.

Guests: John Mainfield, James Smith

2. AGENDA ADOPTION

MOTION made by Mr. Jones, seconded by Mr. Feldman, to adopt the December 13, 2018 regular Board meeting Agenda as presented. In a voice vote by the members present, **Motion** passed 5-0.

3. COMMENTS

a. Public

James Smith, Chairperson - City of Delray Beach General Employees' Retirement Plan

b. Board of Trustees of Police Officers' Retirement System

Chair Paul Weber

c. Active and Retired Members of the Plan

None

4. CONSENT AGENDA

a. September 13, 2018 Joint Police Officers' & Firefighters' Board of Trustees Special Meeting Minutes

MOTION made by Mr. Hoesley, seconded by Mr. Feldman, to accept the Minutes of the September 13, 2018 Joint Police Officers' & Firefighters' Board of Trustees special meeting. In a voice vote by the members present, **Motion** passed 5-0.

b. September 13, 2018 Regular Meeting Minutes

MOTION made by Mr. Hoesley, seconded by Mr. Feldman, to accept the Minutes of the September 13, 2018 regular Board meeting. In a voice vote by the members present, **Motion** passed 5-0.

c. Warrant Ratification (Warrants 207-210)

MOTION made by Mr. Feldman, seconded by Mr. Hoesley, to ratify Warrants 207-210. In a voice vote by the members present, **Motion** passed 5-0.

d. Warrant Approval (Warrant 211)

MOTION made by Mr. Hoesley, seconded by Mr. Feldman, to approve payment of Warrant 211. In a voice vote by the members present, **Motion** passed 5-0.

- e. Ratify/Approve Benefit Enhancements/New Retirement/DROP/Vested/Death Annuities (September – November 2018)

MOTION made by Mr. Feldman, seconded by Mr. Hoesley, to ratify/approve benefit enhancements for calendar year 2019 and new DROP payments. In a voice vote by the members present, **Motion** passed 5-0.

5. REPORTS

- a. AndCo – Jon Breth

- i. Portfolio Performance Review – Quarter End September 30, 2018
Report made part of these Minutes.

Mr. Breth reviewed the Investment Performance Review Report for the quarter ended September 30, 2018 noting that in the financial market at large, international equity returns continued a downward track as started in the prior quarter while domestic equity returns remained strong and fixed income returns remained flat.

Mr. Breth reported that the Retirement System performed well in 2018's third quarter with an overall net return of 3.12% which was slightly behind the 3.50% policy index return. The overall return placed the Retirement System in the top 25% of all measured funds and top 50% of measured public funds.

Discussion ensued regarding the performance of various assets, in particular Sawgrass Asset Management's large cap growth fund (who was replaced with Polen Capital in late 2018), Clarkston Capital Partners' value fund, and Lazard Asset Management's small-mid cap core fund. Mr. Breth noted that the System's investment in real estate (Angelo Gordon and Dune) continued to be a good diversifier as did its investments in alternatives (timber and direct lending).

- ii. November 2018 Flash Report
Report made part of these Minutes

Mr. Breth reported the overall market for November 2018 was slightly positive with the Retirement System's net rate of return keeping pace with its benchmark (1.14% and 1.19% respectively. Positive domestic equity and alternative investment returns offset the negative return from international equity and relatively flat fixed income return.

- iii. Westwood Income Opportunities Fund Review
Report made part of these Minutes.

Mr. Breth reported that the portfolio manager of the Westwood Income Opportunities Fund had announced he was retiring in March 2019. Mr. Breth stated that the portfolio manager's replacement was an individual with minimal experience with only one fund outside the United States under his management which was not nearly the size of the Westwood fund. Mr. Breth stated that given the upcoming change of Westwood's portfolio managers, AndCo was not comfortable leaving the Retirement System's funds invested with Westwood.

Mr. Breth recommended the Board consider moving its Westwood investment into one of three other global tactical asset allocation ("GTAA") funds: BlackRock Advisors, JP Morgan Investment Management, or Pacific Investment Management. Mr. Breth presented information on the three managers and their respective GTAA funds.

The Board decided to hold off on a decision regarding replacing Westwood until the next regular Board meeting.

iv. IPS Addendum for Polen Capital

Mr. Breth presented the IPS Addendum for Polen Capital noting it needed to be adopted and signed in order to proceed with implementation of Polen Capital as one of the Retirement System's investment managers.

MOTION made by Mr. Jones, seconded by Mr. Feldman, to approve the IPS Addendum for Polen Capital. In a voice vote by the members present, **Motion** passed 5-0.

Mr. Breth noted that Mr. Vavrica planned to provide an asset allocation educational session at the next Board meeting.

b. Lewis, Longman & Walker – Janice Rustin

Ms. Rustin presented a legal contract which outlined the relationship between the Board and Lewis, Longman & Walker ("LLW"). Ms. Rustin noted she drafted the contract to meet both the City's Safe Harbor provisions and State of Florida Chapter 185 requirements.

There was discussion regarding what would happen if there was a conflict between the Board, the City and LLW such that LLW could not provide services to the Board. Mr. Hoesley noted the importance of hiring legal counsel to represent the Board.

MOTION made by Mr. Feldman, seconded by Mr. Jones, to accept the legal agreement as presented. In a voice vote by the members present, **Motion** passed 5-0.

Ms. Rustin stated that with the execution of the legal contract, the Plan and the Board were in compliance with the City's safe harbor provisions so she would work with Ms. Castronovo to draft a letter to the City Manager stating such compliance with a request that the City Manager provide a response of his agreement that compliance had been met.

c. Fiduciary First – Joseph Mendell

Mr. Mendell provided a brief update on the status of the new investment accounts available to DROP participants at ICMA-RC. Mr. Mendell stated administrative allowance accounts ("AAA") would soon be established for all of the City's ICMA-RC accounts with the AAA being "holding" accounts into which the savings generated by reduced administrative expenses would be placed for later disbursement to the participants via payment toward individual administration fees.

d. Pension Administrator – Lisa Castronovo

Ms. Castronovo was absent from the meeting. Ms. Graham had nothing to report.

6. ADMINISTRATIVE ITEMS

a. Fiduciary Liability Insurance

The Board was presented information regarding its fiduciary liability insurance, specifically that the median limit of liability for a plan the size of the Retirement System was \$5 million. Mr. Jones requested copies of various items regarding the existing policy and application for renewal for his review. Mr. Hoesley stated his desire that the minimum coverage be \$3 million.

MOTION made by Mr. Hoesley, seconded by Mr. Jones, to renew the fiduciary liability insurance effective January 1, 2019 with a \$5 million limit of liability subject to final review by Mr. Jones. In a voice vote by the members present, **Motion** passed 5-0.

b. 2018-19 Administrative Expense Budget

A proposed Administrative Expense Budget was presented to the Board.

MOTION made by Mr. Jones, seconded by Mr. Hoesley, to adopt the proposed Administrative Expense Budget. In a voice vote by the members present, **Motion** passed 5-0.

c. Proposed 2019 Quarterly Board Meeting Schedule

A proposed 2019 Board meeting schedule was presented to the Board. The Board accepted the presented 2019 Quarterly Board meeting schedule.

d. Nomination/Election of Chairperson and Vice-Chairperson

MOTION made by Mr. Hoesley, seconded by Mr. Feldman, to have Mr. Weber serve as Chairperson and Mr. Jones serve as Vice-Chairperson. In a voice vote by the members present, **Motion** passed 5-0.

ADJOURNMENT

Meeting adjourned at 11:44 a.m.

I, Paul Weber, the undersigned, am the Chair of the Board of Trustees of the City of Delray Beach Police Officers' Retirement System ("Board"). The information provided herein is the Minutes of the December 13, 2018 regular meeting of said body. These Minutes were formally approved and adopted by the Board on February 22, 2019.



Board of Trustees, City of Delray Beach
Police Officers' Retirement System

NOTE TO THE READER: If the Minutes you have received are not complete as indicated above, this means these are not the official minutes of the Board of Trustees of the City of Delray Beach Firefighters' Retirement System. Minutes will become official Minutes only after they have been reviewed and approved, which may involve some amendments, additions or deletions to the Minutes as set forth above.

NOTE: upon official approval by the Board of Trustees, the Minutes will be posted on the City of Delray Beach website at: www.mydelraybeach.com.